

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	Monthly Rate (1)
9. Peoples Choice Select Plus-II	\$99.99
- Two Local Residential Access Lines with Tone Dialing	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope on both lines (8)	
- Optional Services – Choice of up to nine (9) of the following services: (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Anonymous Call Block	
Calling Name and Number Delivery	
Call Waiting ID (3)	
Voicemail (4)	
- Unlimited Nationwide Calling Plan (5)	
- DSL NSPEED 2MB with unlimited access to the Internet (6)(7)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Unlimited Nationwide Calling Plan is provided by Peoples Communication, Inc. Certain restrictions apply.
- (6) DSL/Internet Service is provided by Peoples Communication, Inc.
- (7) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL Service, early termination fee does not apply.
- (8) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	Monthly Rate (1)
10. Peoples Choice Select-II	\$89.99
- Two Local Residential Access Lines with Tone Dialing	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope (8)	
- Optional Services – Choice of up to nine (9) of the following services: (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Anonymous Call Block	
Calling Name and Number Delivery	
Call Waiting ID (3)	
Voicemail (4)	
- Unlimited Nationwide Calling Plan (5)	
- DSL NSPEED 2MB with unlimited access to the Internet (6)(7)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery Service required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Unlimited Nationwide Calling Plan is provided by Peoples Communication, Inc. Certain restrictions apply.
- (6) DSL/Internet Service is provided by Peoples Communication, Inc.
- (7) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL Service, early termination fee does not apply.
- (8) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	Monthly Rate (1)
11. Peoples Choice Basic-II	\$79.99
- Two Local Residential Access Lines with Tone Dialing	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope on both lines (8)	
- Optional Services – Choice of up to nine (9) of the following services: (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Anonymous Call Block	
Calling Name and Number Delivery	
Call Waiting ID (3)	
Voicemail (4)	
- Unlimited Nationwide Calling Plan (5)	
- DSL NSPEED 1MB with unlimited access to the Internet (6)(7)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Unlimited Nationwide Calling Plan is provided by Peoples Communication, Inc. Certain restrictions apply.
- (6) DSL/Internet Service is provided by Peoples Communication, Inc.
- (7) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL Service, early termination fee does not apply.
- (8) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

III. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages

	Monthly Rate (1)	
12. Peoples Standard	\$39.99	
- 1 Local Residential Access line with Tone Dialing		
- Expanded Local Calling Service and		T
- Toll-Free One-Way Local Calling Scope (6)		N
- Optional Services – Choice of up to nine (9) of the following services		
Call Forwarding		
Call Forwarding-Busy		
Call Forwarding-No Answer		
Call Waiting w/ Cancel Call Waiting		
Speed Calling		
Three Way Calling		
Anonymous Call Block		
Calling Name and Number Delivery		
Call Waiting ID (3)		
Voice Mail (4)		
- Nationwide Calling Plan (5)		

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Nationwide Calling Plan is provided by Peoples Communication, Inc. and is capped at 2,000 minutes per month. A rate of \$.10 per minute is applied after the initial 2,000 minutes.
- (6) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

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LINE 3010 – MILESTONE CERTIFICATION

Peoples Telephone Cooperative, Inc. (the "Cooperative") hereby certifies that the Cooperative has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of 4 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to reasonably comparable offerings in urban areas, and that requests for such service are met within a reasonable amount of time.

LINE 3012 – COMMUNITY ANCHOR INSTITUTIONS

Peoples Telephone Cooperative, Inc. did not newly offer broadband service to a community anchor institution in the preceding calendar year (2014).

**Texas 557 Quitman
Peoples Telephone Cooperative, Inc.,
and Subsidiaries**

**Consolidated Financial Statements
And Independent Auditor's Report**

As of September 30, 2014 and 2013

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas

INDEX TO FINANCIAL STATEMENTS
As of September 30, 2014 and 2013

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MEMBER

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 Certified Public Accountants

Texas State Society Of
 Certified Public Accountants

Independent Auditor's Report

Board of Directors
 Peoples Telephone Cooperative, Inc., and Subsidiaries
 Quitman, Texas 75783

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Peoples Telephone Cooperative, Inc., and Subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of income, consolidated statements of membership equity and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peoples Telephone Cooperative, Inc., and Subsidiaries as of September 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the consolidated financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 11, 2014

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED BALANCE SHEETS
As of September 30, 2014 and 2013
(Dollars in thousands)

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Telecommunications accounts receivable
(less allowance of \$28 in 2014 and \$32 in 2013)
Accounts receivable--nonaffiliated companies
NTIA construction receivable
Inventory
Prepaid expenses and other current assets

TOTAL CURRENT ASSETS

INVESTMENTS AND OTHER ASSETS

Investment in associated organizations
Notes receivable--nonaffiliated companies
Other assets

TOTAL INVESTMENTS AND OTHER ASSETS

PROPERTY, PLANT AND EQUIPMENT

Telecommunications plant under construction
Telecommunications plant in service

TOTAL PROPERTY, PLANT AND EQUIPMENT

Less accumulated depreciation

NET PROPERTY, PLANT AND EQUIPMENT

TOTAL ASSETS



Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED BALANCE SHEETS
As of September 30, 2014 and 2013
(Dollars in thousands)

LIABILITIES, MEMBERSHIP EQUITY AND RETAINED EARNINGS

CURRENT LIABILITIES

Accounts payable and advance billing
NTIA construction payables
Current maturities--long-term debt
Customer deposits
Accrued taxes
Accrued interest
Accrued sick leave and vacation

TOTAL CURRENT LIABILITIES

LONG-TERM DEBT

Notes payable

OTHER LIABILITIES

Postretirement benefits other than pensions
Unearned revenues - NTIA grant

TOTAL OTHER LIABILITIES

TOTAL LIABILITIES

MEMBERSHIP EQUITY AND RETAINED EARNINGS

Memberships subscribed and issued
Retained earnings
Accumulated other comprehensive income (loss)--
postretirement benefits other than pensions

TOTAL MEMBERSHIP EQUITY AND RETAINED EARNINGS

TOTAL LIABILITIES, MEMBERSHIP EQUITY AND RETAINED EARNINGS

The accompanying notes are an integral part of these consolidated financial statements.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED STATEMENTS OF INCOME
For the years ended September 30, 2014 and 2013
(Dollars in thousands)

OPERATING REVENUES

Local network services
Carrier access/ roamer
Other network
NECA settlement
Federal USF
Texas USF
Long distance operating revenue
Miscellaneous revenue

OPERATING EXPENSES

Plant specific operations
Plant nonspecific operations
Depreciation
Customer operations
Corporate operations

OPERATING INCOME (LOSS)

NONOPERATING INCOME (LOSS)

Other nonoperating income (loss)
NTIA grant revenue
NTIA grant depreciation

FIXED CHARGES

Interest on long-term debt

NET INCOME (LOSS) BEFORE PROVISION
FOR FEDERAL INCOME TAX

PROVISION FOR FEDERAL INCOME TAX

NET INCOME (LOSS) FOR THE PERIOD

The accompanying notes are an integral part of these consolidated financial statements.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
 Quitman, Texas

CONSOLIDATED STATEMENTS OF MEMBERSHIP EQUITY AND RETAINED EARNINGS
 For the years ended September 30, 2014 and 2013
 (Dollars in thousands)

EQUITY--Beginning of year
 Comprehensive income:
 Net income (loss)
 Accumulated other income--
 net change in postretirement benefits other than pensions
 Total comprehensive income (loss)
 Memberships subscribed and issued, net
 Capital credits paid
 EQUITY--End of year



The accompanying notes are an integral part of these consolidated financial statements.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2014 and 2013
(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Net operating income (loss)
Adjustments to reconcile net income to net cash provided
by operating activities--
Depreciation
(Increase) decrease in telecommunications accounts receivable
Decrease (increase) in accounts receivable--nonaffiliated companies
Decrease (increase) in inventory
Decrease (increase) in prepaid expenses and other current assets
Increase (decrease) in accounts payable and accrued expenses

Total adjustments

NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES

Decrease in NTIA construction receivable
Capital expenditures
Investment in nonaffiliated entities, net
(Decrease) in NTIA construction payables
NTIA grant proceeds
Nonoperating income (loss)

NET CASH (USED IN) PROVIDED BY CAPITAL AND INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Net (decrease) increase in notes payable
Interest on long-term debt
Payment of capital credits
Net change in memberships subscribed

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS--Beginning of year

CASH AND CASH EQUIVALENTS--End of year

The accompanying notes are an integral part of these consolidated financial statements.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2014 and 2013
(Dollars in thousands)

Note 1--SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Cooperative is a diversified telecommunications service company, which, directly or through its wholly owned subsidiaries, provides wireline local and network access services, long distance telephone services, operator assisted calling services, telecommunications equipment sale and leasing services, cable television services, Internet access, wireless broadband and related services. The principal market for these telecommunications and cable services are local residential and business customers residing in Northeast Texas.

Local service rates charged to telephone customers are established by the Cooperative. Toll and access rates are subject to state and Federal Communications Commission regulation.

Accounting Method

Peoples Telephone Cooperative, Inc., (a Class A telephone company) and Subsidiaries follow accounting principles generally accepted in the U.S. These consolidated financial statements have been prepared using the accounting system prescribed in Part 32-Uniform System of the Accounts for Class A Telephone Companies as promulgated by the Federal Communications Commission.

Basis of Presentation

The consolidated financial statements include the accounts of Peoples Telephone Cooperative, Inc. (collectively referred to as the Cooperative) and its wholly-owned subsidiary Peoples Holding, Inc. which wholly owns Peoples Communication, Inc. (PCI) and Peoples Fibercom Corporation (PFC), dba Connexions Telcom.

Peoples Holding, Inc. also owns Peoples Wireless, LP by way of a 99.9% limited partner interest and by Peoples Holding, Inc.'s complete ownership of Peoples GP, LLC the 0.1% general partner of Peoples Wireless, LP.

An intermediary holding company (Peoples Holding, Inc.) was organized to hold investment in subsidiaries formerly held by the Cooperative. Peoples GP, LLC was formed to serve as the general partner of Peoples Wireless, LP.

All significant intercompany transactions are eliminated in the consolidation process. Investments in subsidiaries are accounted for under the equity method.

Investment in Nonaffiliated Companies

Investment in nonaffiliated companies is stated at cost.

Inventory

Inventories are recorded at weighted average unit cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Bad Debts

The allowance for bad debts represents a provision for possible uncollectible accounts based upon estimates of management and historical experience.

Research and Development Costs

Research and development costs are charged to operations when incurred.

Telephone Plant and Depreciation Reserves

Telecommunications plant is stated substantially at original cost. Additions, replacements, and renewals of property determined to be units of property are charged to telecommunications plant accounts. The replacement of plant determined not to be a unit of property and the cost of maintenance and repair are charged to operating expense. Normal retirements are charged in total to the accumulated depreciation accounts along with the cost of removal, less salvage, with no gain or loss recognized. Depreciation expense is computed using the straight-line composite method based on estimated service lives of the various classes of depreciable property. The service lives of the regulated property are approved by the PUC.

The carrying value of long-lived assets is reviewed for impairment at least annually, or whenever events of changes in circumstances indicate that such carrying value may not be recoverable.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 As of September 30, 2014 and 2013
 (Dollars in thousands)

Note 1--SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Credits

Net income from operations is assigned to patrons on a patronage basis.

Income Taxes

As an organization formed under Internal Revenue Code Section 501(c)(12), Peoples Telephone Cooperative must receive 85 percent of its gross income from members to be tax exempt. PTC is not taxable at the state level. PCI and PFC are corporations and are taxable in both the federal and State of Texas jurisdictions. PTC files a consolidated federal income tax return with its subsidiaries.

Peoples Wireless, LP has elected taxation as a C corporation.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The major temporary differences that give rise to the net deferred tax liability are differences in the bases of partnership investments and differences in depreciation methods and lives used for financial and income tax reporting.

Revenue Recognition

Revenues are recognized when earned. Network access and long distance revenues are furnished in conjunction with interexchange carriers and are determined by cost separation studies. Network access revenues are based upon interstate tariffs filed with the Federal Communications Commission by the National Exchange Carriers Association and state tariffs filed with state regulatory agencies by the Texas Exchange Carriers Association, now known as the Texas Universal Service Fund. Management believes recorded revenues are reasonable based on estimates of final cost separation studies which are typically settled within two years.

Funds received under a National Telecommunications and Information Administration (NTIA) grant are presented as an unearned revenue. Revenue is recognized over a twenty year period (straight line) which is correlated with the depreciation life of the related "plant assets" constructed and acquired with grant proceeds.

Credit Risk

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist principally of temporary cash investments. The Cooperative places its temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of customers. The Cooperative maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Cooperative has not experienced any losses in such accounts. The Cooperative believes it is not exposed to any significant credit risk on temporary cash investments.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative and Subsidiaries consider all highly liquid investments with a maturity and liquidity of three months or less to be cash equivalents. Cash and cash equivalents are valued at market value.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to make them comparable with those of the current year.

Note 2--ASSETS PLEDGED

Substantially all assets are pledged as security for the long-term debt. See Note 7.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2014 and 2013
(Dollars in thousands)

Note 3--INVESTMENT IN TELEPHONE PLANT

Telephone plant in service and under construction is stated at cost. Listed below are the major classes of the telephone plant as of September 30, 2014 and 2013:

Land
Vehicles and work equipment
Buildings
Furniture and office equipment
Central office equipment
Telephone plant and fiber

Total Telecommunications Plant in Service

Telecommunications Plant Under Construction

1. *Journal of Management Studies*, 1996, 33, 1, 1-14.

Depreciation expense for the twelve months ended September 30, 2014 and 2013 was [REDACTED] respectively. General plant depreciation rates have been applied on a straight-line basis and are as follows:

- Buildings
- Buried cable
- Carrier site equipment
- Office support equipment
- Vehicles
- Garage equipment
- Computers

Buried fiber
Circuit equipment-special
Company communications
equipment
WiMax site equipment
Furniture
Microwave equipment

Note 4--INVESTMENT IN ASSOCIATED ORGANIZATIONS

Investments are stated at cost and consist of the following:

National Telecom Corporation
Rural Telephone Finance Cooperative
Net America Alliance, LLC
NECA
Texas LS Network
Total

[illegible]

Note 5--NOTES RECEIVABLE--NONAFFILIATED COMPANIES

A summary of notes receivable follows:

Communications Supply Service Association, [REDACTED] due December 22, 2014 at 5% interest.

Note 6--ACCOUNTS PAYABLE

Construction contract estimates and retainages included in accounts payable is approximately [REDACTED] at September 30, 2014 and 2013 respectively.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2014 and 2013
(Dollars in thousands)

Note 7--NOTES PAYABLE

Long-term debt is represented by mortgage notes and line of credit arrangements payable to the Rural Telephone Finance Corporation (RTFC). Following is a summary of outstanding long-term debt:

RTFC [REDACTED] principal and interest paid quarterly

Principal and interest installments on the above notes are due quarterly. The approximate maturities of long-term debt for the five years succeeding the balance sheet date are as follows:

Year ended September 30	RTFC Principal	RTFC Interest
2015	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]
2020-2024	[REDACTED]	[REDACTED]

The long-term debt agreements contain restrictions on the payment of patrons' capital credits. The terms of the debt agreements require the maintenance of defined amounts of membership equity and earnings.

Note 8--RELATED PARTY TRANSACTIONS

In the normal course of business, the Cooperative conducts business with affiliated companies.

Note 9--SICK LEAVE AND VACATION POLICIES

Sick leave and vacation policies have been adopted by Peoples Telephone Cooperative, Inc. Each full-time employee is allowed 80 hours (10 days) of sick leave after one year of service. If the employee starts employment any time other than January 1, sick leave will be prorated the first year. If during a full succeeding year (January 1 through December 31) an employee does not utilize all of the sick leave time, the remaining days will be carried forward to the next year and 10 additional days will be added each year. There is no limit on the amount of days of sick leave that can be accrued. If an employee is terminated or quits the Cooperative, all accrued sick leave is forfeited. When an employee retires, the Cooperative shall buy back the accumulated sick leave days at the rate of 50% of a regular day's salary.

Concerning vacation policies, an employee of the Cooperative will have earned a vacation after having worked for the Cooperative for one full year. If the employee starts employment other than January 1, vacation time will be prorated the first year. During the first five years of employment, vacation time is earned at the rate of 80 hours (2 weeks) per calendar year. During the sixth through fifteenth years of employment, paid vacation will be earned at the rate of 120 hours (3 weeks) annually. During the sixteenth year of employment and beyond, vacation will be earned at the rate of 160 hours (4 weeks) annually. Employees will be permitted to carry over unused amounts of earned vacation from one calendar year to the next up to a maximum of the number of annual vacation days eligible that year. Deferred assets and accrued liabilities have been recorded to reflect these policies. As sick leave or vacation is actually taken by the employees, the accrued liability is decreased. Peoples Communication, Inc., and Peoples Wireless Services LP have no employees.

Note 10--BENEFIT PLANS

Pension benefits for substantially all employees are provided through the National Telephone Cooperative Association Retirement and Security Program (a defined benefit plan) and Savings Plan (a defined contribution plan). The Company makes annual contributions to the plans equal to the amounts accrued for pension expense. The Retirement and Security Program is a multi-employer plan and the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The total pension costs for the fiscal years 2014 and 2013 were [REDACTED] respectively.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2014 and 2013
(Dollars in thousands)

Note 11--POSTRETIREMENT BENEFITS OTHER THAN PENSION

The Cooperative provides certain health care benefits for eligible retired employees. The Cooperative accrues benefits over the employee service period until the employee becomes fully eligible to receive benefits. The Cooperative has elected to amortize the initial transition obligation of [REDACTED] over 20 years. The transition obligation represents the actuarial present value of benefits attributed to employee service rendered to October 1, 1993. This plan has not been fully funded.

The following table sets forth the plan's status as of September 30, 2014 and 2013:

<u>Obligations and Funded Status</u>	<u>2014</u>	<u>2013</u>
Benefit obligation measured at September 30	[REDACTED]	[REDACTED]
Fair value of plan assets measured at September 30	[REDACTED]	[REDACTED]
Funded status - liability recognized in the balance sheet	[REDACTED]	[REDACTED]
Net periodic benefit cost	[REDACTED]	[REDACTED]

Assumptions

Weighted average assumptions used to determine the benefit obligations nad net periodic benefit cost

Discount rate	[REDACTED]	[REDACTED]
Expected return on plan assets	[REDACTED]	[REDACTED]
Rate of compensation increase	[REDACTED]	[REDACTED]

The health care cost trend rate used to measure the expected cost of benefits was a 7.0 percent annual rate of increase in 2014, gradually continuing to decline to 6.0 percent by the year 2023.

Cash flows

The Company expects to contribute actual annual costs to its postretirement benefit plan in 2014.

Accumulated Other Comprehensive Income (AOCI):

	<u>2014</u>	<u>2013</u>
Amounts recognized in comprehensive income (loss):		
Net gain (loss) arising during the year	[REDACTED]	[REDACTED]
Amortization of net gain/loss	[REDACTED]	[REDACTED]
Amortization of prior service costs	[REDACTED]	[REDACTED]
Amortization of transition obligation	[REDACTED]	[REDACTED]

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Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2014 and 2013
(Dollars in thousands)

Note 12--CAPITAL CREDITS

Long-term debt agreements with RTFC (Note 7), contain restrictions on the membership equity of the Cooperative. The restrictions are related in general to the Cooperative's adjusted net worth and assets as defined in the agreements. Dividends and other cash disbursements require RTFC's written consent when net worth as a percentage of total assets is forty percent or less.

After consideration of debt service requirements and cash flows [REDACTED] paid in 2014 or 2013.

Note 13--FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents approximates their fair value due to the short maturity of the investments.

Note 14--SUBSIDIARIES

As of September 30, 2014:

Peoples Holding, Inc.

Wholly-owned subsidiary of the Cooperative. Serves as intermediary holding company with ownership as follows:

- Peoples Communication, Inc.
The corporation was formed to conduct deregulated telecommunications business for customers/members of Peoples Telephone Cooperative, Inc.

As of September 30, 2014, Peoples Telephone Cooperative, Inc., provides a substantial portion of the subsidiary revenues and cash flow. Peoples Communication, Inc. is presently dependent upon PTC in order to continue operations.
- Peoples Wireless, LP (99.9% limited partner interest)
Entity provides cellular radio service in Wood and Rains Counties, Texas.
- Peoples Fibercom Corporation
Peoples Fibercom Corporation, a Texas corporation, wholly owns Connexions Telcom. Connexions provides various telecommunications, internet, and CATV services in Rockwall and Kaufman Counties.
- Peoples GP, LLC
Serves as general partner for Peoples Wireless, LP. Owns 0.1% interest in such partnership.

Note 15--CASH AND CASH EQUIVALENTS INFORMATION

Cash paid during the fiscal year for:	2014	2013
Interest (net of capitalized interest)	[REDACTED]	[REDACTED]
Income taxes	[REDACTED]	[REDACTED]

Note 16--RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the cooperative purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 17--CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Cooperative to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The Cooperative's policy is to place temporary cash investments with federally insured financial institutions and to require supplemental deposit insurance for certain bank accounts. Management believes the risk of credit loss due to nonperformance by counter parties is remote and any losses would not be material to the results of operations or financial condition.

Concentrations of credit risk with respect to telecommunications accounts receivable are limited due to the large number of customers. Management believes this risk to be low based on the nature of the receivables.

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Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2014 and 2013
(Dollars in thousands)

Note 18--BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)

During the year ended September 30, 2011, the Cooperative applied for and was awarded a grant for approximately [REDACTED] to fund the development and construction of the East Texas Medical and Educational Fiber Optic Network. This program is administered by the National Telecommunications and Information Administration (NTIA).

The project began during the year ended September 30, 2011 and is complete as of September 30, 2014. [REDACTED] was received from the grant. The Cooperative provided approximately [REDACTED] of matching funds.

Note 19--LITIGATION

As of September 30, 2014, the Cooperative was not involved in any significant litigation.

Note 20--SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2014, the financial statement issuance date.

SUPPLEMENTAL INFORMATION

Texas 557
Peoples Telephone Cooperative, Inc. and Subsidiaries
 Quitman, Texas
 BALANCE SHEETS
 As of September 30, 2014
 (In thousands)

	<u>Peoples Telephone Cooperative, Inc.</u>	<u>Peoples Holding, Inc.</u>	<u>Peoples Communications, Inc.</u>	<u>Peoples Wireless Services Corporation</u>	<u>Peoples Fibercom Corporation</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents					
Telecommunications accounts receivable, net					
Accounts receivable-nonaffiliated companies					
Accounts receivable-affiliated companies					
Inventory					
Prepaid expenses and other current assets					
TOTAL CURRENT ASSETS					
INVESTMENTS AND OTHER ASSETS					
Investment in associated organizations					
Investment in Peoples Communication, Inc.					
Investment in Peoples Fibercom					
Investment in Peoples GP, LLC					
Investment in Peoples Wireless					
Investment in Peoples Holding Inc.					
Accounts receivable-affiliated companies					
Notes receivable-nonaffiliated companies					
Investment in 700MHZ					
Other assets					
TOTAL INVESTMENTS AND OTHER ASSETS					
PROPERTY, PLANT AND EQUIPMENT					
Telecommunications plant under construction					
Telecommunications plant in service					
TOTAL PROPERTY PLANT AND EQUIPMENT					
Less accumulated depreciation					
NET PROPERTY PLANT AND EQUIPMENT					
TOTAL ASSETS					

Texas 557
Peoples Telephone Cooperative, Inc. and Subsidiaries
 Quitman, Texas
 BALANCE SHEETS
 As of September 30, 2014
 (In thousands)

	Peoples Telephone Cooperative, Inc.	Peoples Holding, Inc.	Peoples Communications, Inc.	Peoples Wireless Services Corporation	Peoples Fibercom Corporation
LIABILITIES AND EQUITIES					
CURRENT LIABILITIES					
Accounts payable-nonaffiliated companies					
Accounts payable-affiliated companies					
Current maturities-long term debt					
Customer deposits					
Accrued taxes					
Accrued interest					
Accrued sick leave and vacation					
TOTAL CURRENT LIABILITIES					
LONG-TERM DEBT					
Notes payable					
OTHER LIABILITIES					
Postretirement benefits other than pensions					
Unearned revenues - grant					
Accounts payable-affiliated companies					
TOTAL OTHER LIABILITIES					
TOTAL LIABILITIES					
EQUITIES					
Common stock					
Paid in capital					
Partners capital					
Preferred stock					
Retained earnings (deficit)					
Accumulated other comprehensive income					
(loss)--postretirement benefits					
Memberships subscribed and issued					
Membership equity					
TOTAL EQUITIES (DEFICIT)					
TOTAL LIABILITIES AND EQUITIES					

Texas 557
 Peoples Telephone Cooperative, Inc. and Subsidiaries
 Quitman, Texas
 STATEMENTS OF INCOME AND EQUITIES RETAINED
 For the period ended September 30, 2014
 (In thousands)

	Peoples Telephone Cooperative, Inc.	Peoples Holding, Inc.	Peoples Communications, Inc.	Peoples Wireless Services Corporation	Peoples Fibercom Corporation
OPERATING REVENUES					
Local network services					
Carrier access/ roamer					
Other network					
NECA settlement					
Federal USF					
Texas USF					
Long distance operating revenue					
Misc. revenue					
OPERATING EXPENSES					
Plant specific operations					
Plant nonspecific operations					
Depreciation					
Customer operations					
Corporate operations					
OPERATING INCOME (LOSS)					
NONOPERATING INCOME (LOSS)					
Equity in net income (loss) of subsidiaries					
Nonregulated net income (loss)					
NTIA grant revenue					
NTIA grant depreciation					
Other					
FIXED CHARGES					
Interest on long-term debt					
Other					
NET INCOME (LOSS) BEFORE PROVISION FOR FEDERAL INCOME TAX					
PROVISION FOR FEDERAL INCOME (TAX) BENEFIT					
NET INCOME (LOSS) FOR THE PERIOD					
EQUITIES RETAINED (DEFICIT)					
Beginning of the year					
Less-Capital credits paid during the period					
Contributed capital					
End of the year					

Texas 557
Peoples Telephone Cooperative, Inc. and Subsidiaries
Quitman, Texas
STATEMENTS OF CASH FLOWS
For the period ended September 30, 2014
(In thousands)

<u>Peoples Telephone Cooperative, Inc.</u>	<u>Peoples Holding, Inc.</u>	<u>Peoples Communications, Inc.</u>	<u>Peoples Wireless Services Corporation</u>	<u>Peoples Fibercom Corporation</u>
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CASH FLOWS FROM OPERATING ACTIVITIES

Net operating income (loss)
Adjustments to reconcile net income (loss)
to net cash operating activities--
Depreciation
Decrease (increase) in telecommunications accounts receivable
Decrease in accounts receivable--nonaffiliated companies
(Increase) decrease in inventory
Decrease (increase) in prepaid expenses and other assets
Decrease (increase) in amounts (due from)/to affiliated companies--net
Increase (decrease) in accounts payable and accrued expenses
Total adjustments

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES

Equity in net income (loss) of subsidiaries
Decrease in NTIA receivable
Capital expenditures
Investment in entities
Decrease in NTIA construction payables
Nonregulated net income (loss)
Other nonoperating income

NET CASH (USED IN) PROVIDED BY CAPITAL AND INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Net (decrease) increase in notes payable
Interest on long-term debt
Add (less)-dividends/distributions
Payment of capital credits
Net change in memberships subscribed

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS--Beginning of year

CASH AND CASH EQUIVALENTS--End of year



Pam Friday

From: Pam Friday on behalf of WorkRequest
Sent: Thursday, July 02, 2015 4:07 PM
To: Pam Friday
Cc: Deb Morgan
Subject: FW: Seneca Telephone Company FCC Form 481 confidential filing
Attachments: Service Outage-2015-Co CONFIDENTIAL_FCC Cover Letter.docx; 421945ok112 conf.pdf; 421945ok510.pdf; 421945ok610.pdf; 421945ok920.pdf; 421945ok1010.pdf; 421945ok1210.pdf; 421945ok3010.pdf; 421945ok3017 conf.pdf

Importance: High

From: Deb Morgan
Sent: Thursday, July 02, 2015 12:02 PM
To: WorkRequest
Subject: Seneca Telephone Company FCC Form 481 confidential filing
Importance: High

Please make the confidential filings at the FCC for Seneca. Trip England is handling the Missouri filings. Let me know if you have questions or concerns.
Thank you.

Deb Morgan | MOSS ADAMS LLP
Telecommunications Consulting Manager

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